

September 2004

ECONOMIC AND REVENUE FORECAST

FISCAL YEAR 2005 1st Quarter



WASHINGTON STATE DEPARTMENT OF
Natural Resources
Doug Sutherland • Commissioner of Public Lands

September 2004 ECONOMIC AND REVENUE FORECAST

FISCAL YEAR 2005 1ST QUARTER

prepared by:
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September 2004

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ACKNOWLEDGMENTS

The quarterly revenue forecast is a collaborative effort. It is the product of information provided by private individuals and organizations, and DNR staff. Without their contributions this forecast could not be completed.

Purchasers of timber from DNR-managed lands provide a critical component of this forecast. These busy individuals and companies willingly provide information that is essential to the process of estimating harvest volumes.

Many DNR staff also contribute to the forecast. They provide data or forecasts of revenue flows for their areas of responsibility and make a significant contribution. I especially thank Jon Tweedale and Paul Penhallegon in this regard. Also, other DNR staff have provided valuable and constructive feedback on drafts of this forecast report, including Phil Aust, Jim Smego, Dorian Smith, and Angie Wirkkala.

I am grateful to Billie-Lynn Wyckoff for help and initiative in conducting the purchaser survey efficiently and effectively. Credit also goes to Billie-Lynn for the cover design.

Bruce P. Glass
September 2, 2004

PREFACE

This forecast projects revenues from Washington state trust lands managed by the Department of Natural Resources. These monies are distributed to accounts that support specific management activities on the trust lands which generate revenues. The department revises its forecast quarterly to provide updated information for trust beneficiaries as well as for long-term budgeting purposes.

This forecast covers fiscal years ending June 2004 (FY 2004) through June 2009 (FY 2009). The baseline date for this June 2004 forecast is June 30, 2004, the end of the fourth quarter of FY 2004. While sales and revenue data are current as of this date, the forecasts are based on the most up-to-date data available at the time of their estimation (i.e., after the baseline date). Macroeconomic and market outlook data are the most up-to-date available when the forecast was written.

Unless otherwise indicated, values are expressed in nominal terms, without adjustment for inflation. Therefore, interpretation of trends in the forecast requires care in separating inflationary changes in the value of money over time from changes attributable to other economic influences.

FORECAST CALENDAR

The forecast calendar for future DNR Economic and Revenue forecasts is shown in the table below. The DNR forecasts provide information that is used in the statewide Washington Economic and Revenue Forecasts carried out by the Office of the Forecast Council. Therefore, the timing for DNR's forecast is determined by the schedule of the statewide forecast, prescribed by RCW 82.33.020. The calendar prescribed by RCW 82.33.020 is reflected in the release date, i.e., when preliminary revenue forecast estimates will be available. Publication of the actual forecast document follows at a later date.

Forecast title	Baseline date	Release date	Publication date (approx.)
November 2004	End Q1, FY 2005	November 19, 2004	November 26, 2004
March 2005	End Q2, FY 2005	March 18, 2005	March 25, 2005
June 2005	End Q3, FY 2005	June 22, 2005	June 29, 2005
September 2005	End Q4, FY 2005	September 16, 2005	September 23, 2005

MAJOR POINTS OF THE SEPTEMBER 2004 FORECAST

■ US Macroeconomic Conditions & Trends

- The US economy is growing moderately in an expansion phase.
- At the end of June, the Federal Reserve Bank (FRB) raised the target rate at which banks borrow money from each other (the federal funds rate) to 1.25%, an increase of 0.25% from a 40-year low of 1.00%.
- Inflationary pressures continue building in the US economy. These pressures increase the likelihood that the FRB will continue raising the federal funds rate through the end of the year, to about 2.0% by the end of calendar year (CY) 2004, and 3.5% by the end of CY 2005, according to July 2004 Blue Chip consensus estimates.
- A key concern for the US economy remains whether the economic expansion presently underway will be sustainable in the face of the following pressures:
 1. Intermediate- and long-term interest rates: Increasing federal government borrowing to finance an expanding budget deficit is likely to contribute upward pressure on interest rates, particularly if the deficits persist. How will rising interest rates affect investment, and will already high (consumer) debt loads be supportable concurrent with income growth? Will economic growth offset these and other factors, particularly after tax cut effects have ended?
 2. Low operating rates: Overcapacity and increasingly unrestricted international trade flows suggest the domestic economy could face a lengthy adjustment period, as resources are reallocated economy-wide.

Outsourcing, particularly to other countries, is a sign that this process is underway.

- The July 2004 Blue Chip consensus estimate of real gross domestic product (GDP) growth for CY 2004 decreased 0.1% since the beginning of the year, but still remains high at 4.5%. The consensus estimate of real GDP growth for CY 2005 stands at 3.8%, little changed since the start of CY 2004.

■ Japanese Macroeconomic Conditions & Trends

- The July 2004 Blue Chip consensus anticipates real GDP growth will reach 3.8% in CY 2004 and 2.3% in CY 2005. This most recent CY 2004 estimate is a marked increase from the January 2004 estimate of 2.0% growth in CY 2004, in large part reflecting the contribution of the export sector to Japan's emerging economic recovery.
- Japan continues to experience deflationary pressures however, as reflected in July 2004 Blue Chip consensus estimates of inflation at the consumer price level, i.e., -0.2% and 0.2% for CY 2004 and CY 2005 respectively (following -0.9% in CY 2002 and -0.2% in CY 2003).

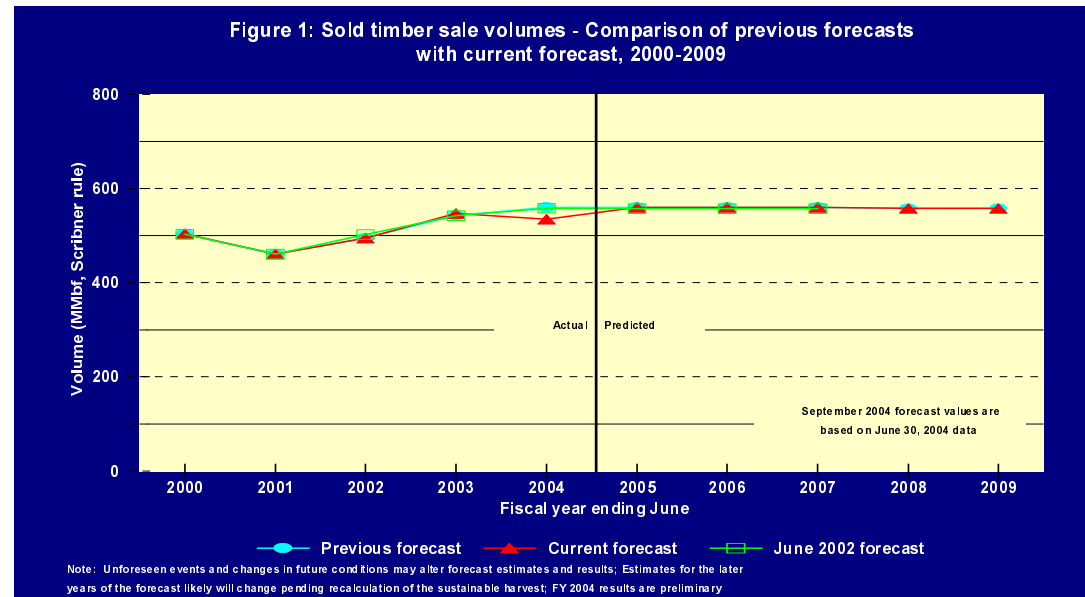
■ Implications of Macroeconomic Conditions for Forecast

- US house construction remains at historically high levels. For this forecast, CY 2004 housing starts are expected to remain at the CY 2003 peak of about 1.85 million but to decline sharply in CY 2005 to a low of about 1.62 million (seasonally adjusted rates). This cyclical downturn in housing starts will be largely driven by increases in interest rates, i.e., housing affordability is expected to decline, with increasing costs from rising interest rates more than offsetting increasing income for the next few years.

- US repair and remodeling expenditures are also expected to remain at relatively high levels compared with prior years, following a similar trend to housing starts, i.e., exhibiting a cyclical downturn lagging the housing start downturn by about a year.
- Japanese housing starts are expected to decline from about 1.15 million/year in CY 2003 to about 1.06 million per year in CY 2006. Whether this anticipated decline also results in reduced export demand for US wood products likely will depend on the values of foreign currencies relative to the Japanese yen.
- Long-term changes in trade flows for raw materials and finished products are following shifts in manufacturing capacity for wood products and their substitutes, with capacity moving out of Japan and North America to other countries. In particular, the importance of the PRC as both a market and regional processing center is expected to increase, the more so given increased construction activity in advance of the 2008 Olympic Games (in Beijing). Expectations of growing wood consumption in the Peoples' Republic of China may be tempered by policy measures to slow economic growth.

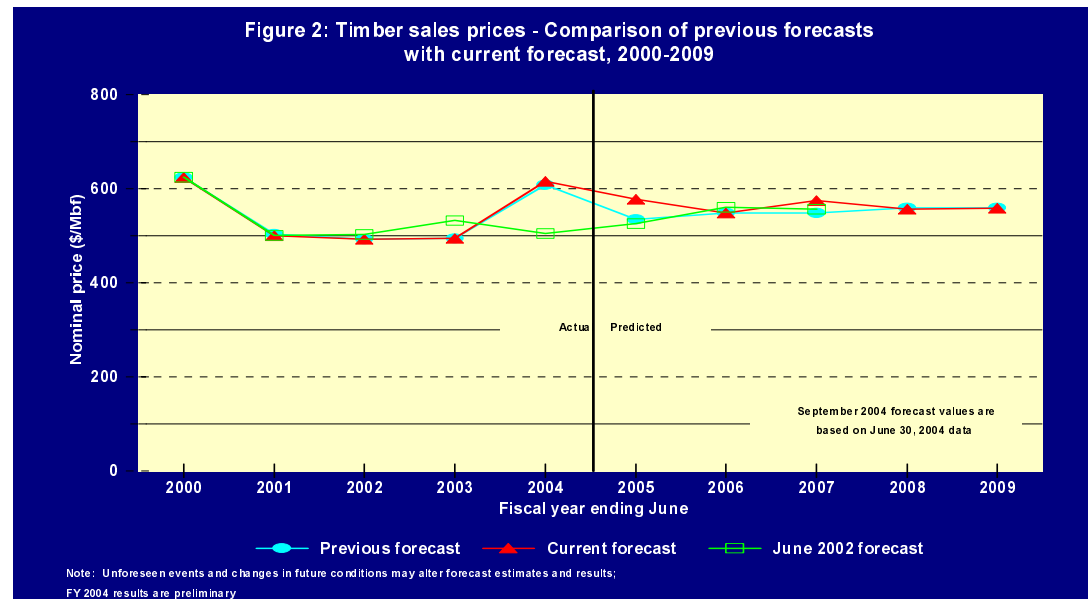
■ **Sold Timber Sale Volumes:** Compared with the June 2004 forecast, sold target timber sale volumes from DNR-managed trust lands remain unchanged (Figure 1, Table 1).

- Sold timber volume for FY 2004 amounted to 535 MMbf, some 25 MMbf below a targeted 560 MMbf.
- Sales volume estimates for later years of the forecast likely will change following recalculation of the sustainable harvest plan. The Board of Natural Resources (BNR) is presently slated to consider adoption of the recalculated sustainable harvest during summer of CY 2004. While the BNR has not yet adopted a specific alternative, potential impacts on the revenue forecast are described in the appendix to this forecast, based on implementing a 'preferred alternative' as it was identified in the draft Final Environmental Impact statement (<http://www.dnr.wa.gov/htdocs/fr/sales/sustainharvest/sustainharvest.html>).



■ **Timber Sale Prices:** Compared with the June 2004 forecast, estimated timber prices are unchanged for FY 2005 through FY 2009 (Figure 2, Table 1).

- Timber sales prices for FY 2004 averaged \$287/Mbf compared with \$276/Mbf in FY 2003.
- As a generic indicator of current market conditions, softwood lumber nominal prices started to rise in June 2003 (Random Lengths framing lumber composite price index), after languishing at about the \$285/Mbf level. By May 2004 the composite price index had reached a peak of \$456/Mbf, but has since declined to \$423/Mbf, in June 2004.



- Near-term outlook for DNR timber sales prices:

Seasonal changes aside, look for flat stumpages. Salvage of damaged trees and harvest from stand treatment to reduce fire hazard may directly or indirectly limit upward price movement (e.g., especially in the wake of insect damage in the western USA and interior British Columbia).

- Long-term outlook for DNR timber sales prices:

At best, real (i.e., inflation-adjusted) softwood stumpages are likely to remain fairly constant over the forecast period, assuming estimates of future North American softwood timber harvest volume prove correct.

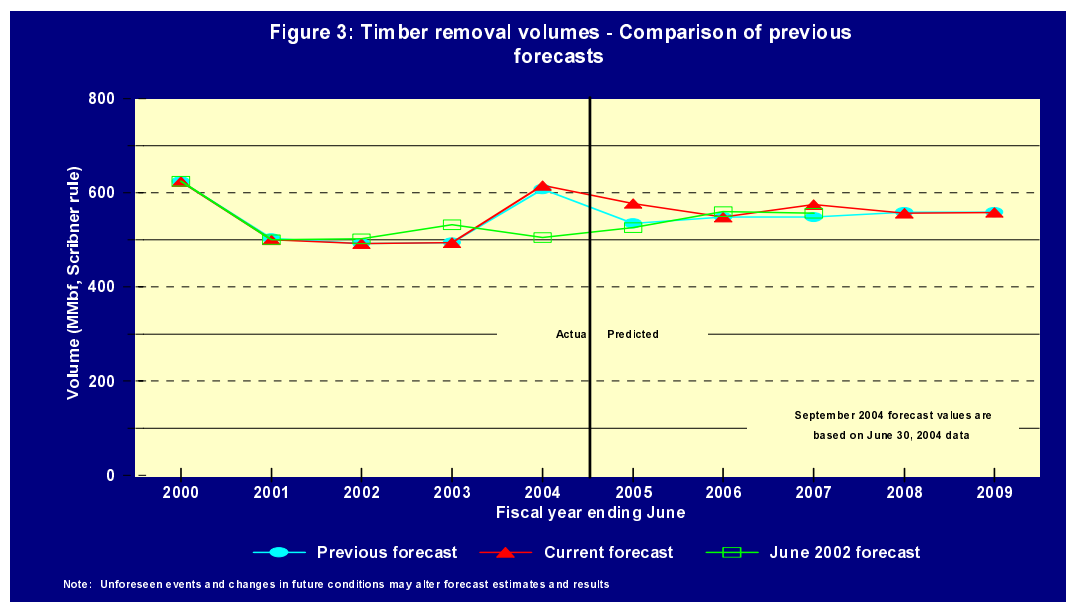
- Factors contributing to the outlook for forecast timber sales prices include:

1. Overcapacity in the western North American softwood sawmilling industry, much of which is marginal in character, i.e., capacity that moves in and out of production in response to price, tending to make softwood lumber market price rallies short-lived;
2. Historically high levels of softwood log imports from Canada into the western USA, which tend to dilute purchaser interest in sales offered by DNR and depress prices;
3. Softwood lumber imports into the USA, particularly from countries other than Canada, and especially from plantation sources;
4. Competition in export markets--particularly in Japan--for both softwood logs and lumber, increasing the supply of these products in the domestic (USA) market;
5. Substitution of both (non-solid) wood and non-wood products for solid wood products, especially in engineering end-use applications;

6. A trend towards increased utilization and availability of small-diameter logs, particularly from private lands; and
7. A reduction in the price premium obtained for the large-diameter logs that typically make up a large proportion of DNR timber sales.

■ **Timber Removal Volumes:** Compared with the June 2004 forecast, estimated timber removal volumes are higher for FY 2005 and FY 2007, but otherwise are virtually unchanged (Figure 3, Table 1).

- Timber removal volumes for FY 2004 were 615 MMbf, 121 MMbf more than in FY 2003. These strong removals were at least in part attributable to seasonal factors and the recent high levels of housing starts.
- In the near term, purchasers collectively expressed an intent to increase removals from uncut timber under contract. Hence removal estimates for FY 2005 were revised upward. This intent is also consistent with recent increases in lumber prices.
- The trend in removal volumes also anticipates a cyclical slowdown in residential construction, occurring late in FY 2005 or early in FY 2006. However, housing starts are still expected to remain high by historical standards (i.e., more than 1.7 million, seasonally adjusted).
- Increased use of substitute products--especially imported softwood lumber and logs, and exportable log and lumber volume--have tended to displace domestic demand for sawtimber that might instead have been drawn from DNR-managed lands. This trend is expected to continue



(although it will be tempered or exacerbated by exchange rate movements) and is factored into the forecast.

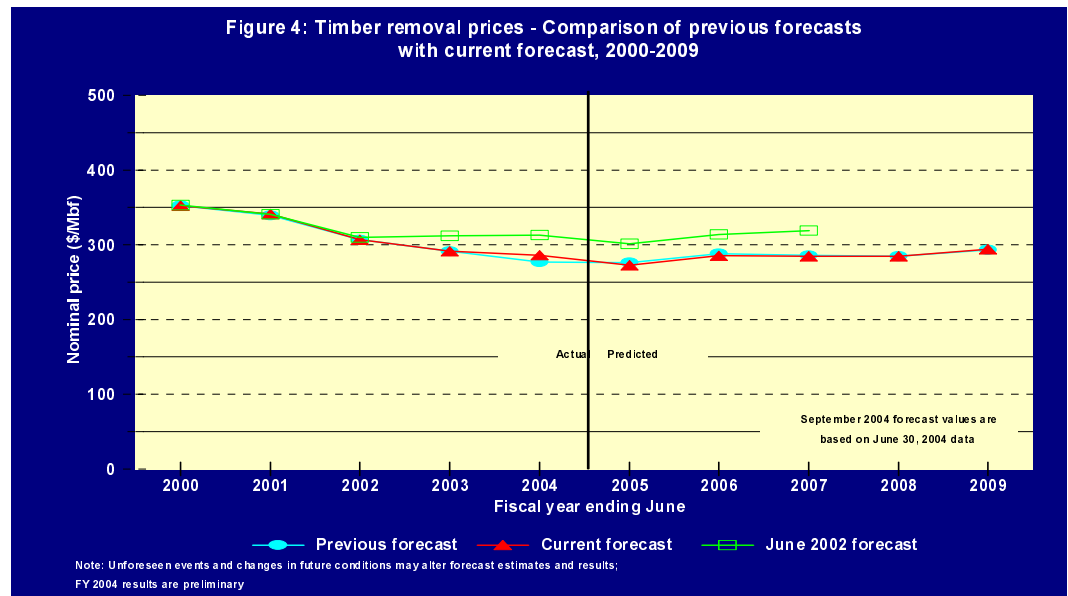
- Removal volume estimates assume the department will meet its sold timber volume targets for each year in the forecast period.

■ **Projected Uncut Inventory Under Contract:** Compared with the June 2004 forecast, projected uncut timber under contract at the end of FY 2009 is 94 MMbf lower in volume, and nearly \$29 million lower in value (Table 1), reflecting purchasers' harvest intentions and the department's current timber sales plan and procedures.

- At the end of FY 2009, uncut inventory under contract is estimated to be 677 MMbf, worth \$212 million (\$312/Mbf average), compared with 683 MMbf, worth \$186 million (\$272/Mbf average) at the end of the June 2004 quarter (Table 1).

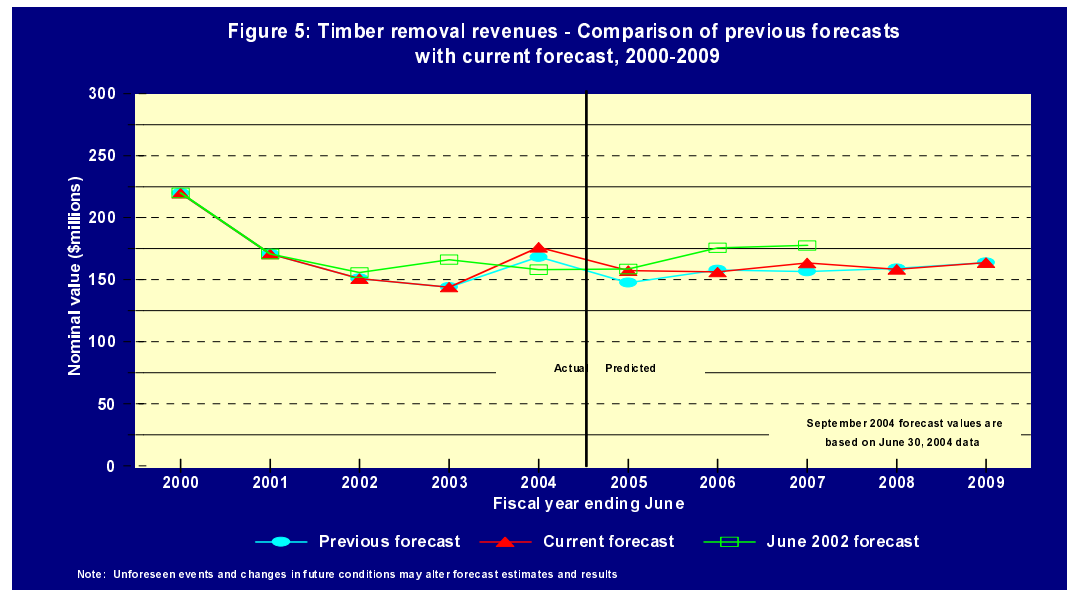
■ **Timber Removal Prices:** Compared with the June 2004 forecast, timber removal prices are virtually unchanged over the forecast period (Figure 4, Table 1).

- Removal prices for FY 2004 averaged \$286/Mbf compared with \$291 in FY 2003.
- Removal prices for FY 2005 through FY 2009 are estimated to average about \$284/Mbf.



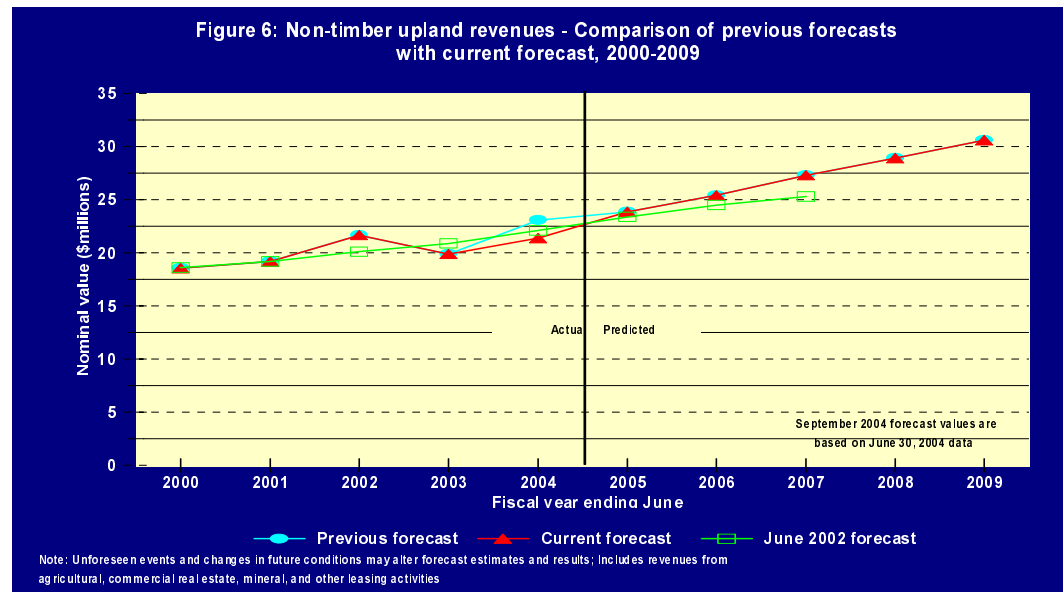
■ **Timber Removal Revenues:** Compared with the June 2004 forecast, timber removal revenues are about \$10 million and \$7 million higher (about 7% and 4%) for FY 2005 and FY 2007 respectively, but down about \$1 million (1%) for FY 2006. Timber removal revenues are little changed for FY 2008 and FY 2009 (Figure 5, Tables 1 & 2).

- At \$176 million, timber removal revenues in FY 2004 were some \$32 million (22%) higher than in FY 2003, as a 121 MMbf increase in removal volumes more than offset a \$5/Mbf decline in removal price.
- Changes in estimated timber removal revenues reflect purchasers' increased harvest intentions, responding to high levels of construction activity.



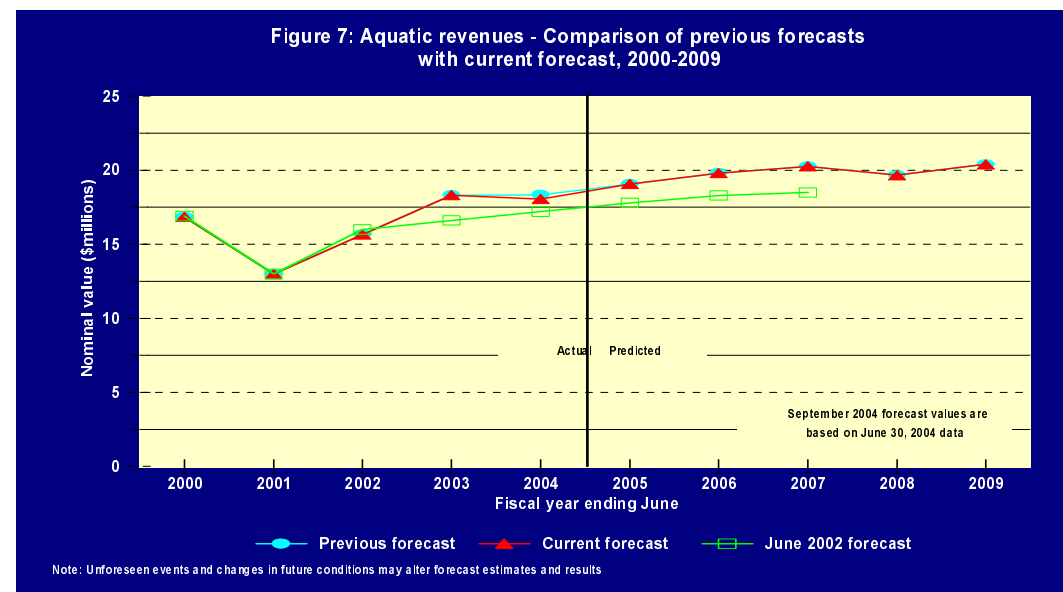
■ **Non-timber Upland Revenues:** Compared with the June 2004 forecast, estimates of non-timber upland revenues are virtually unchanged (Figure 6, Table 2).

- At about \$21 million, non-timber upland revenues in FY 2004 were more than \$1 million higher than in FY 2003.
- Non-timber revenues in FY 2004 were \$1.7 million less than estimated in the June 2004 forecast, as increased revenues from agricultural and mineral leases were more than offset by commercial real estate revenues falling short of expectations (Table 2).



■ **Aquatic Revenues:** Compared with the June 2004 forecast, aquatic revenues are virtually unchanged for each year of the forecast period (Figure 7, Table 2).

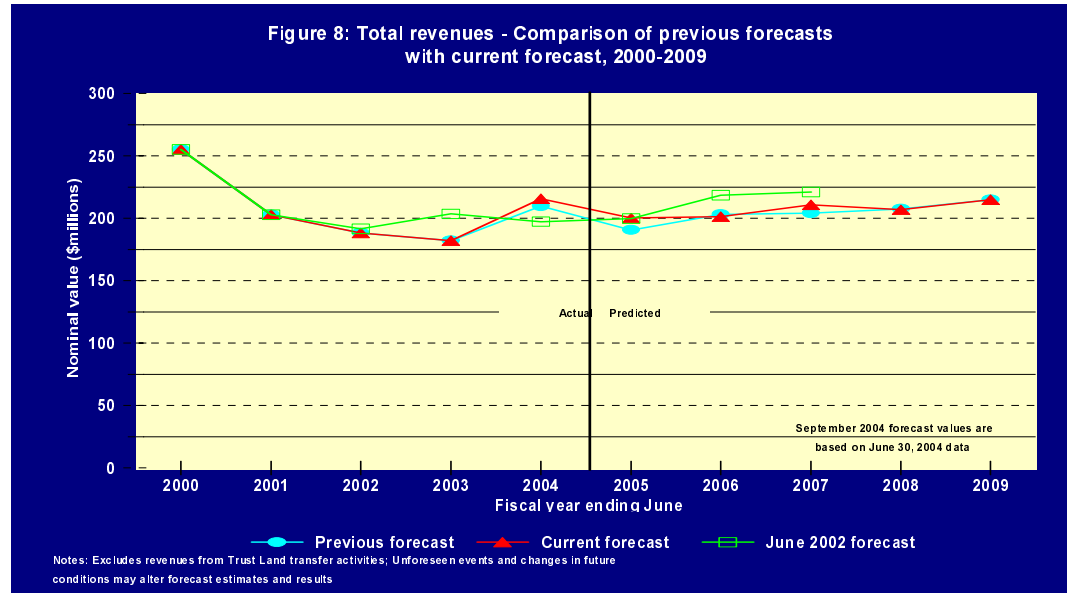
- Aquatic revenues in FY 2004 exceeded \$17 million, but were still about \$1 million lower than in FY 2003.
- Aquatic revenue forecasts assume future revenues will follow past revenue trends, and explicitly include selected high-value future revenue streams with a high certainty of realization.
- The decline in revenues in FY 2008 is due to the end of payments for a fiber optic cable easement.



- Forecast estimates do not take into account factors with uncertain, though potentially major, revenue impacts (e.g., revisions to geoduck harvest levels and biological factors such as green crab infestation and paralytic shellfish poisoning).

■ **Total Revenues:** Compared with the June 2004 forecast, total revenues are forecast to be nearly \$10 million higher in FY 2004, virtually unchanged in FY 2005, more than \$1 million lower in FY 2006, and nearly \$7 million higher in FY 2007 (Figure 8, Table 2). These changes are mostly attributable to changes in estimated timber removals, including purchasers' timber harvest intentions. Little change in total revenues is anticipated for FY 2008 and FY 2009.

- Total revenues in FY 2004 were more than \$215 million, some \$33 million higher than in FY 2003. This change was due almost entirely to increased timber removal revenues.
- For this September 2004 forecast, total revenues are forecast to decrease to about \$200 million in FY 2005 and FY 2006 from nearly \$214 million in FY 2004 (excluding Trust Land Transfers). Total revenues are then forecast to increase to about \$211 million in FY 2007, dip again in FY 2008 to \$207 million and then rise to nearly \$215 million in FY 2009.
- Revenues to trust beneficiaries from the resource component of Trust Land Transfers are not included in the above revenue estimates. These revenues are expected to



reach about \$42.8 million during FY 2004 and FY 2005, i.e., \$18.4 million and \$24.4 million respectively (Footnote 1, Table A2).

- Beneficiary and management revenues follow the same trend as total revenues (Table A2).

■ Some Uncertainty Caveats:

- Target sold timber sale volumes for the later years of the forecast likely will change as a result of the recalculation of the sustainable harvest for DNR-managed trust lands.
- A program for implementing the recalculated sustainable harvest from DNR-managed trust lands is currently being developed. The potential for litigation and fiscal hurdles make the timing of this implementation program subject to uncertainty.
- The duration of the current upturn in the US economy, after the effects of stimulatory factors (e.g., tax changes, high federal government spending) fade and government debt-financing needs emerge.
- Market impacts of on timber supply from outside the Pacific Northwest region are expected to contribute to increasingly competitive--and volatile--domestic and foreign lumber and sawtimber markets, e.g., foreign log and lumber supplies, substitutes for solid wood products. These impacts may be tempered (or exacerbated) by currency exchange rate movements.
- Over time, and as appropriate, revenue impacts of operational changes now undertaken by DNR's timber sales program and nontimber programs are factored into the forecast.

Table 1a: Projected trust land timber sales, removals and revenues

Fiscal year	2003	Actual FY 2004 to 6/30/2004	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
Sold timber sales								
Volume (mmbf)	546	535	535	560	560	560	557	557
Price (\$/mbf)	\$276	\$287	\$287	\$290	\$280	\$285	\$305	\$315
Ending uncut inventory under contract								
Volume (mmbf)	776	683	687	679	691	677	678	677
Value (\$millions)	\$210.8	\$185.5	\$186.6	\$191.7	\$192.2	\$188.3	\$199.9	\$211.5
Price (\$/mbf)	\$272	\$272	\$272	\$282	\$278	\$278	\$295	\$312
Timber removals								
Volume (mmbf)	494	615	615	577	548	574	556	558
Price (\$/mbf)	\$291	\$286	\$286	\$273	\$285	\$285	\$285	\$294
Timber removal revenue (\$millions)	\$144.0	\$176.2	\$176.2	\$157.3	\$156.3	\$163.5	\$158.3	\$163.9

Note: Totals may not add due to rounding

Table 1b: Change from previous forecast

Fiscal year	2003	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
Sold timber sales							
Volume (mmbf)	4	(25)	0	0	0	0	0
Price (\$/mbf)	\$0	\$2	\$0	\$0	\$0	\$0	\$0
Ending uncut inventory under contract							
Volume (mmbf)	4	(38)	(71)	(71)	(98)	(95)	(94)
Value (\$millions)	\$1.3	(\$14.3)	(\$23.9)	(\$22.4)	(\$29.2)	(\$28.5)	(\$28.6)
Price (\$/mbf)	\$0	(\$5)	(\$5)	(\$3)	(\$3)	(\$1)	\$1
Timber removals							
Volume (mmbf)	0	8	42	0	26	(3)	(1)
Price (\$/mbf)	\$0	\$9	(\$4)	(\$3)	(\$1)	\$0	\$1
Timber removal revenue (\$millions)	\$0.0	\$7.9	\$9.6	(\$1.5)	\$6.8	(\$0.7)	\$0.0

Note: Totals may not add due to rounding

Table 2a: Projected trust land revenue by source (\$millions)

Fiscal year	2003	Actual FY 2004 to 6/30/2004	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
Timber removal revenue	\$144.0	\$176.2	\$176.2	\$157.3	\$156.3	\$163.5	\$158.3	\$163.9
Agricultural and mineral revenue	\$13.1	\$13.3	\$13.8	\$14.9	\$15.4	\$16.3	\$16.9	\$17.6
Commercial real estate revenue	\$6.8	\$7.6	\$7.6	\$9.0	\$10.0	\$11.0	\$12.0	\$13.0
Aquatic revenue	\$18.3	\$17.3	\$18.1	\$19.1	\$19.8	\$20.3	\$19.7	\$20.4
Trust land transfer (resource value)	\$25.1	\$17.7	\$18.4	\$24.4	\$0.0	\$0.0	\$0.0	\$0.0
Total revenue, excluding trust land transfer	\$182.2	\$214.2	\$215.6	\$200.2	\$201.5	\$211.0	\$206.9	\$214.9

Note: Totals may not add due to rounding

Table 2b: Change from previous forecast (\$millions)

Fiscal year	2003	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
Timber removal revenue	\$0.0	\$7.9	\$9.6	(\$1.5)	\$6.8	(\$0.7)	\$0.0
Agricultural and mineral revenue	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Commercial real estate revenue	\$0.0	(\$1.9)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Aquatic revenue	\$0.0	(\$0.3)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Trust land transfer (resource value)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total revenue, excluding trust land transfer	\$0.0	\$5.9	\$9.6	(\$1.5)	\$6.8	(\$0.7)	\$0.0

Note: Totals may not add due to rounding

Table A1 : Projected trust revenues by fund and fiscal year, June 2004 forecast, 2002-2009 (\$millions)

Fiscal year	2002	2003	Actual 2004 to 03/31/04	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
MANAGEMENT ACCOUNTS									
041 RMCA - UPLAND	\$22.1	\$19.4	\$17.7	\$23.8	\$23.5	\$24.2	\$25.4	\$26.8	\$28.2
041 RMCA - AQUATIC	\$6.4	\$7.8	\$4.8	\$7.6	\$7.9	\$8.2	\$8.4	\$8.1	\$8.4
014 FDA	\$19.8	\$20.2	\$17.2	\$22.0	\$18.0	\$19.6	\$18.7	\$18.2	\$18.5
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	\$48.3	\$47.4	\$39.7	\$53.4	\$49.4	\$51.9	\$52.4	\$53.1	\$55.1
CURRENT FUNDS									
113 COMMON SCHOOL CONSTRUCTION	\$44.1	\$41.0	\$36.0	\$50.9	\$51.0	\$52.8	\$55.4	\$57.8	\$59.2
999 FOREST BOARD COUNTIES	\$58.5	\$58.6	\$51.6	\$65.7	\$53.1	\$59.3	\$56.4	\$55.5	\$57.0
001 GENERAL FUND	\$4.3	\$4.1	\$4.3	\$5.3	\$3.3	\$3.3	\$3.0	\$2.5	\$2.3
348 UNIVERSITY BOND RETIREMENT	\$0.5	\$0.8	\$0.5	\$0.7	\$0.4	\$0.9	\$1.2	\$1.5	\$1.7
347 WSU BOND REPAYMENT	\$0.8	\$0.8	\$0.8	\$0.8	\$0.9	\$1.0	\$1.0	\$1.1	\$1.1
042 CEP&RI	\$3.9	\$4.3	\$5.2	\$6.5	\$3.4	\$3.4	\$3.7	\$4.0	\$4.3
036 CAPITOL BUILDING CONSTRUCTION	\$7.6	\$5.2	\$3.5	\$4.9	\$7.6	\$7.9	\$7.4	\$7.9	\$9.1
061/3/5/6 NORMAL (CWU, EWU, WWU, TESC) SCHOOL	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
OTHER FUNDS	\$0.2	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	\$119.9	\$114.8	\$102.0	\$134.9	\$119.9	\$128.8	\$128.4	\$130.6	\$134.9
AQUATIC LANDS ENHANCEMENT ACCOUNT									
02R AQUATIC LANDS	\$9.3	\$10.6	\$7.3	\$10.8	\$11.2	\$11.6	\$11.9	\$11.6	\$12.0
PERMANENT FUNDS									
601 AGRICULTURAL COLLEGE	\$1.0	\$3.0	\$1.8	\$2.6	\$2.7	\$3.7	\$4.0	\$4.1	\$3.6
604 NORMAL SCHOOL PERMANENT	\$4.0	\$2.7	\$2.7	\$3.2	\$1.9	\$2.6	\$2.5	\$2.3	\$2.3
605 COMMON SCHOOL PERMANENT	\$0.7	\$0.5	\$0.1	\$0.4	\$0.4	\$0.4	\$0.5	\$0.5	\$0.5
606 SCIENTIFIC PERMANENT	\$4.3	\$2.9	\$2.7	\$3.7	\$5.0	\$3.7	\$4.2	\$5.0	\$6.0
607 UNIVERSITY PERMANENT	\$0.7	\$0.3	\$0.4	\$0.5	\$0.2	\$0.3	\$0.3	\$0.4	\$0.5
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	\$10.7	\$9.4	\$7.7	\$10.5	\$10.2	\$10.6	\$11.5	\$12.3	\$12.9
TOTAL TO TRUST BENEFICIARY FUNDS	\$139.9	\$134.8	\$117.0	\$156.3	\$141.3	\$151.1	\$151.8	\$154.5	\$159.8
TOTAL ALL FUNDS	\$188.3	\$182.2	\$156.6	\$209.7	\$190.7	\$203.0	\$204.2	\$207.6	\$214.9

Notes:

- 1 - Excludes interest and trust land transfer monies, and includes operating transfers. Trust Land Transfer monies amounted to \$37.3 million in FY 1994-95, \$21.8 million in FY 1998-99, \$56.06 million in FY 2000-01, \$40.0 million in FY 2002-03, and \$42.8 million (estimate) in FY 2004-05, payable to the Common School Construction Fund.
- 2 - Upland RMCA does not include Land Bank transactions.
- 3 - Revenues reflect cash earnings from management activities only. Revenues from interest payments, fires assessments, permits, fees, etc. are not included.
- 4 - Totals may not add due to rounding.
- 5 - Projected values are forecast estimates and should be interpreted in conjunction with the accompanying forecast document. Unforeseen events and changes in future conditions may alter forecast estimates and results.
- 6 - Data for all years are cash estimates, and not directly comparable with accrual figures presented in DNR's Annual Reports.

Table A2: Projected trust revenues by fund and fiscal year, September 2004 forecast, 2002-2009 (\$millions)

Fiscal year	2002	2003	Actual 2004 to 06/30/04	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
MANAGEMENT ACCOUNTS									
041 RMCA - UPLAND	\$22.1	\$19.4	\$23.4	\$23.7	\$25.0	\$24.0	\$26.0	\$26.4	\$28.0
041 RMCA - AQUATIC	\$6.4	\$7.8	\$7.1	\$7.9	\$8.0	\$8.3	\$8.5	\$8.3	\$8.6
014 FDA	\$19.8	\$20.2	\$23.3	\$23.6	\$18.4	\$19.3	\$19.9	\$18.9	\$19.2
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	\$48.3	\$47.4	\$53.8	\$55.2	\$51.4	\$51.6	\$54.4	\$53.6	\$55.8
CURRENT FUNDS									
113 COMMON SCHOOL CONSTRUCTION	\$44.1	\$41.0	\$50.5	\$50.4	\$54.6	\$53.0	\$56.6	\$56.8	\$59.1
999 FOREST BOARD COUNTIES	\$58.5	\$58.6	\$70.1	\$70.0	\$56.6	\$59.0	\$59.1	\$55.5	\$56.7
001 GENERAL FUND	\$4.3	\$4.1	\$5.6	\$5.7	\$2.6	\$3.1	\$3.2	\$2.7	\$2.4
348 UNIVERSITY BOND RETIREMENT	\$0.5	\$0.8	\$0.6	\$0.5	\$0.3	\$0.9	\$1.4	\$2.0	\$2.3
347 WSU BOND REPAYMENT	\$0.8	\$0.8	\$0.8	\$0.8	\$0.9	\$0.9	\$1.0	\$1.1	\$1.1
042 CEP&RI	\$4.0	\$4.4	\$6.1	\$6.3	\$5.9	\$3.5	\$4.2	\$4.2	\$4.4
036 CAPITOL BUILDING CONSTRUCTION	\$7.6	\$5.2	\$5.6	\$5.6	\$5.9	\$7.2	\$7.5	\$7.6	\$8.5
061/3/5/6 NORMAL (CWU, EWU, WWU, TESC) SCHOOL	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
OTHER FUNDS	\$0.2	\$0.1	\$0.1	\$0.1	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	\$120.1	\$115.0	\$139.4	\$139.6	\$127.0	\$127.8	\$133.1	\$130.0	\$134.7
AQUATIC LANDS ENHANCEMENT ACCOUNT									
02R AQUATIC LANDS	\$9.3	\$10.6	\$10.2	\$10.2	\$11.0	\$11.5	\$11.7	\$11.4	\$11.8
PERMANENT FUNDS									
601 AGRICULTURAL COLLEGE	\$1.0	\$3.0	\$3.2	\$3.1	\$3.3	\$4.2	\$4.2	\$4.1	\$4.0
604 NORMAL SCHOOL PERMANENT	\$4.0	\$2.7	\$3.3	\$3.2	\$2.0	\$2.6	\$2.5	\$2.1	\$2.1
605 COMMON SCHOOL PERMANENT	\$0.5	\$0.4	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
606 SCIENTIFIC PERMANENT	\$4.3	\$2.9	\$3.6	\$3.7	\$4.9	\$3.4	\$4.4	\$4.9	\$5.6
607 UNIVERSITY PERMANENT	\$0.7	\$0.3	\$0.4	\$0.4	\$0.3	\$0.2	\$0.4	\$0.5	\$0.6
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	\$10.5	\$9.3	\$10.8	\$10.7	\$10.8	\$10.6	\$11.8	\$11.9	\$12.7
TOTAL TO TRUST BENEFICIARY FUNDS	\$139.9	\$134.9	\$160.4	\$160.4	\$148.9	\$149.9	\$156.6	\$153.3	\$159.2
TOTAL ALL FUNDS	\$188.3	\$182.2	\$214.2	\$215.6	\$200.2	\$201.5	\$211.0	\$206.9	\$214.9

Notes:

- 1 - Excludes interest and trust land transfer monies, and includes operating transfers. Trust Land Transfer monies amounted to \$37.3 million in FY 1994-95, \$21.8 million in FY 1998-99, \$56.06 million in FY 2000-01, \$40.0 million in FY 2002-03, and \$42.8 million (estimate) in FY 2004-05, payable to the Common School Construction Fund.
- 2 - Upland RMCA does not include Land Bank transactions.
- 3 - Revenues reflect cash earnings from management activities only. Revenues from interest payments, fires assessments, permits, fees, etc. are not included.
- 4 - Totals may not add due to rounding.
- 5 - Projected values are forecast estimates and should be interpreted in conjunction with the accompanying forecast document. Unforeseen events and changes in future conditions may alter forecast estimates and results.
- 6 - Data for all years are cash estimates, and not directly comparable with accrual figures presented in DNR's Annual Reports.

Table A3: Change from June 2004 to September 2004 forecast-Projected trust revenues by fund and fiscal year, 2002-2009 (\$million:

Fiscal year	2002	2003	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
MANAGEMENT ACCOUNTS								
041 RMCA - UPLAND	(\$0.0)	(\$0.0)	(\$0.1)	\$1.5	(\$0.3)	\$0.7	(\$0.4)	(\$0.2)
041 RMCA - AQUATIC	\$0.0	\$0.0	\$0.3	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
014 FDA	\$0.0	\$0.0	\$1.6	\$0.4	(\$0.3)	\$1.2	\$0.6	\$0.7
	-----	-----	-----	-----	-----	-----	-----	-----
	(\$0.0)	(\$0.0)	\$1.8	\$2.0	(\$0.3)	\$2.0	\$0.5	\$0.7
CURRENT FUNDS								
113 COMMON SCHOOL CONSTRUCTION	\$0.0	\$0.0	(\$0.4)	\$3.6	\$0.2	\$1.1	(\$1.0)	(\$0.1)
999 FOREST BOARD COUNTIES	\$0.0	\$0.0	\$4.3	\$3.5	(\$0.4)	\$2.7	\$0.0	(\$0.3)
001 GENERAL FUND	(\$0.0)	(\$0.0)	\$0.4	(\$0.7)	(\$0.3)	\$0.2	\$0.2	\$0.1
348 UNIVERSITY BOND RETIREMENT	\$0.0	\$0.0	(\$0.2)	(\$0.1)	(\$0.0)	\$0.3	\$0.4	\$0.6
347 WSU BOND REPAYMENT	(\$0.0)	(\$0.0)	\$0.0	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)
042 CEP&RI	\$0.1	\$0.1	(\$0.3)	\$2.5	\$0.1	\$0.4	\$0.2	\$0.0
036 CAPITOL BUILDING CONSTRUCTION	\$0.0	\$0.0	\$0.8	(\$1.6)	(\$0.6)	\$0.1	(\$0.3)	(\$0.6)
061/3/5/6 NORMAL (CWU, EWU, WWU, TESC) SCHOOL	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)
OTHER FUNDS	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)
	-----	-----	-----	-----	-----	-----	-----	-----
	\$0.1	\$0.1	\$4.6	\$7.1	(\$1.0)	\$4.7	(\$0.6)	(\$0.2)
AQUATIC LANDS ENHANCEMENT ACCOUNT								
02R AQUATIC LANDS	\$0.0	\$0.0	(\$0.6)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)
PERMANENT FUNDS								
601 AGRICULTURAL COLLEGE	\$0.0	\$0.0	\$0.4	\$0.6	\$0.5	\$0.2	(\$0.0)	\$0.4
604 NORMAL SCHOOL PERMANENT	\$0.0	\$0.0	(\$0.1)	\$0.2	\$0.0	\$0.0	(\$0.1)	(\$0.2)
605 COMMON SCHOOL PERMANENT	(\$0.2)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)
606 SCIENTIFIC PERMANENT	\$0.0	\$0.0	(\$0.0)	(\$0.0)	(\$0.3)	\$0.2	(\$0.1)	(\$0.4)
607 UNIVERSITY PERMANENT	\$0.0	\$0.0	(\$0.1)	\$0.1	(\$0.0)	\$0.1	\$0.1	\$0.1
	-----	-----	-----	-----	-----	-----	-----	-----
	(\$0.1)	(\$0.1)	\$0.1	\$0.6	\$0.0	\$0.3	(\$0.4)	(\$0.3)
TOTAL TO TRUST BENEFICIARY FUNDS	\$0.0	\$0.0	\$4.1	\$7.6	(\$1.1)	\$4.8	(\$1.1)	(\$0.7)
TOTAL ALL FUNDS	(\$0.0)	\$0.0	\$5.9	\$9.6	(\$1.5)	\$6.8	(\$0.7)	\$0.0

Notes:

- 1 - Excludes interest and trust land transfer monies, and includes operating transfers. Trust Land Transfer monies amounted to \$37.3 million in FY 1994-95, \$21.8 million in FY 1998-99, \$56.06 million in FY 2000-01, \$40.0 million in FY 2002-03, and \$42.8 million (estimate) in FY 2004-05, payable to the Common School Construction Fund.
- 2 - Upland RMCA does not include Land Bank transactions.
- 3 - Revenues reflect cash earnings from management activities only. Revenues from interest payments, fires assessments, permits fees, etc. are not included.
- 4 - Totals may not add due to rounding.
- 5 - Projected values are forecast estimates and should be interpreted in conjunction with the accompanying forecast document. Unforeseen events and changes in future conditions may alter forecast estimates and results.
- 6 - Data for all years are cash estimates, and not directly comparable with accrual figures presented in DNR's Annual Reports.

Table A4: Percent change from June 2004 to September 2004 forecast-Projected trust revenues by fund and fiscal year, 2002-2009

Fiscal year	2002	2003	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
MANAGEMENT ACCOUNTS								
041 RMCA - UPLAND	-0.0%	-0.0%	-0.6%	6.2%	-1.1%	2.6%	-1.4%	-0.8%
041 RMCA - AQUATIC	0.0%	0.0%	4.5%	2.1%	2.1%	2.1%	2.1%	2.1%
014 FDA	0.0%	0.0%	7.0%	2.1%	-1.3%	6.4%	3.6%	3.9%
	-----	-----	-----	-----	-----	-----	-----	-----
	-0.0%	-0.0%	3.3%	4.1%	-0.7%	3.9%	0.9%	1.2%
CURRENT FUNDS								
113 COMMON SCHOOL CONSTRUCTION	0.0%	0.0%	-0.8%	7.1%	0.4%	2.1%	-1.8%	-0.1%
999 FOREST BOARD COUNTIES	0.1%	0.0%	6.6%	6.6%	-0.6%	4.8%	0.0%	-0.5%
001 GENERAL FUND	-0.1%	-0.1%	7.1%	-21.4%	-7.6%	6.5%	6.9%	6.4%
348 UNIVERSITY BOND RETIREMENT	0.4%	0.2%	-21.7%	-23.7%	-1.2%	22.7%	26.6%	37.3%
347 WSU BOND REPAYMENT	-1.1%	-1.1%	1.6%	-1.5%	-1.6%	-1.7%	-1.7%	-1.8%
042 CEP&RI	2.5%	1.8%	-4.2%	71.6%	3.7%	11.2%	5.1%	0.7%
036 CAPITOL BUILDING CONSTRUCTION	0.3%	0.3%	15.7%	-21.5%	-7.8%	0.8%	-3.9%	-6.1%
061/3/5/6 NORMAL (CWU, EWU, WWU, TESC) SCHOOL	-20.3%	-17.8%	-11.8%	-13.6%	-13.6%	-13.5%	-13.4%	-13.3%
OTHER FUNDS	-2.6%	-4.6%	-3.0%	-34.0%	-15.4%	-6.7%	-17.7%	-33.5%
	-----	-----	-----	-----	-----	-----	-----	-----
	0.1%	0.1%	3.4%	6.0%	-0.8%	3.7%	-0.4%	-0.2%
AQUATIC LANDS ENHANCEMENT ACCOUNT								
02R AQUATIC LANDS	0.0%	0.0%	-5.8%	-1.5%	-1.5%	-1.5%	-1.5%	-1.5%
PERMANENT FUNDS								
601 AGRICULTURAL COLLEGE	0.4%	0.1%	17.1%	20.7%	13.0%	4.2%	-1.1%	11.8%
604 NORMAL SCHOOL PERMANENT	0.1%	0.1%	-1.8%	9.5%	0.1%	0.8%	-5.9%	-9.3%
605 COMMON SCHOOL PERMANENT	-23.5%	-24.4%	-32.1%	-34.4%	-36.2%	-39.4%	-40.7%	-41.9%
606 SCIENTIFIC PERMANENT	0.3%	0.3%	-0.7%	-1.0%	-7.7%	4.7%	-1.9%	-6.2%
607 UNIVERSITY PERMANENT	0.7%	1.0%	-21.9%	28.3%	-10.6%	20.0%	22.5%	23.2%
	-----	-----	-----	-----	-----	-----	-----	-----
	-1.3%	-1.2%	1.0%	6.1%	0.2%	2.3%	-3.2%	-2.1%
TOTAL TO TRUST BENEFICIARY FUNDS	0.0%	0.0%	2.6%	5.4%	-0.8%	3.2%	-0.7%	-0.4%
TOTAL ALL FUNDS	-0.0%	0.0%	2.8%	5.0%	-0.7%	3.3%	-0.3%	0.0%

Notes:

- 1 - Excludes interest and trust land transfer monies, and includes operating transfers. Trust Land Transfer monies amounted to \$37.3 million in FY 1994-95, \$21.8 million in FY 1998-99, \$56.06 million in FY 2000-01, \$40.0 million in FY 2002-03, and \$42.8 million (estimate) in FY 2004-05, payable to the Common School Construction Fund.
- 2 - Upland RMCA does not include Land Bank transactions.
- 3 - Revenues reflect cash earnings from management activities only. Revenues from interest payments, fires assessments, permits, fees, etc. are not included.
- 4 - Totals may not add due to rounding.
- 5 - Projected values are forecast estimates and should be interpreted in conjunction with the accompanying forecast document. Unforeseen events and changes in future conditions may alter forecast estimates and results.
- 6 - Data for all years are cash estimates, and not directly comparable with accrual figures presented in DNR's Annual Reports.

Table A5: Revenue projections by fund and biennium, September 2004 forecast, 1995-2009 (\$millions)

Fiscal years	1995-97	1997-99	1999-2001	2001-2003	Biennium to 06/30/04	Projected 2003-2005	Projected 2005-2007	Projected 2007-2009
MANAGEMENT ACCOUNTS								
041 RMCA - UPLAND	\$79.9	\$65.4	\$55.7	\$41.6	\$23.4	\$48.7	\$50.0	\$54.4
041 RMCA - AQUATIC	\$10.0	\$11.3	\$12.5	\$14.1	\$7.1	\$15.9	\$16.9	\$16.9
014 FDA	\$74.2	\$56.9	\$46.9	\$40.0	\$23.3	\$42.0	\$39.2	\$38.1
	-----	-----	-----	-----	-----	-----	-----	-----
	\$164.1	\$133.6	\$115.1	\$95.7	\$53.8	\$106.6	\$106.0	\$109.3
CURRENT FUNDS								
113 COMMON SCHOOL CONSTRUCTION	\$166.4	\$133.6	\$118.3	\$85.1	\$50.5	\$105.0	\$109.6	\$115.9
999 FOREST BOARD COUNTIES	\$195.1	\$172.9	\$145.0	\$117.1	\$70.1	\$126.6	\$118.0	\$112.2
001 GENERAL FUND	\$14.4	\$11.7	\$9.1	\$8.3	\$5.6	\$8.3	\$6.3	\$5.1
348 UNIVERSITY BOND RETIREMENT	\$4.3	\$3.3	\$1.4	\$1.3	\$0.6	\$0.9	\$2.3	\$4.3
347 WSU BOND REPAYMENT	\$0.9	\$1.1	\$1.2	\$1.6	\$0.8	\$1.7	\$2.0	\$2.2
042 CEP&RI	\$17.3	\$10.4	\$9.0	\$8.4	\$6.1	\$12.2	\$7.7	\$8.6
036 CAPITOL BUILDING CONSTRUCTION	\$11.5	\$13.8	\$14.7	\$12.8	\$5.6	\$11.6	\$14.7	\$16.2
061/3/5/6 NORMAL (CWU, EWU, WWU, TESC) SCHOOL	\$0.2	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
OTHER FUNDS	\$0.1	\$0.2	\$0.1	\$0.3	\$0.1	\$0.2	\$0.2	\$0.2
	-----	-----	-----	-----	-----	-----	-----	-----
	\$410.2	\$347.2	\$298.9	\$235.1	\$139.4	\$266.6	\$260.9	\$264.7
AQUATIC LANDS ENHANCEMENT ACCOUNT								
02R AQUATIC LANDS	\$14.2	\$15.3	\$17.3	\$19.9	\$10.2	\$21.2	\$23.2	\$23.2
PERMANENT FUNDS								
601 AGRICULTURAL COLLEGE	\$9.6	\$7.0	\$4.4	\$4.0	\$3.2	\$6.4	\$8.4	\$8.1
604 NORMAL SCHOOL PERMANENT	\$7.5	\$7.1	\$9.8	\$6.8	\$3.3	\$5.2	\$5.1	\$4.2
605 COMMON SCHOOL PERMANENT	\$1.8	\$1.8	\$1.6	\$0.9	\$0.3	\$0.6	\$0.6	\$0.6
606 SCIENTIFIC PERMANENT	\$15.0	\$14.8	\$9.3	\$7.1	\$3.6	\$8.6	\$7.8	\$10.6
607 UNIVERSITY PERMANENT	\$4.8	\$2.9	\$1.6	\$1.0	\$0.4	\$0.7	\$0.6	\$1.1
	-----	-----	-----	-----	-----	-----	-----	-----
	\$38.7	\$33.6	\$26.7	\$19.9	\$10.8	\$21.5	\$22.5	\$24.6
TOTAL TO TRUST BENEFICIARY FUNDS	\$463.1	\$396.1	\$342.9	\$274.8	\$160.4	\$309.2	\$306.5	\$312.5
TOTAL ALL FUNDS	\$627.1	\$529.7	\$458.1	\$370.5	\$214.2	\$415.8	\$412.5	\$421.8

Notes:

- 1 - Excludes interest and trust land transfer monies, and includes operating transfers. Trust Land Transfer monies amounted to \$37.3 million in FY 1994-95, \$21.8 million in FY 1998-99, \$56.06 million in FY 2000-01, \$40.0 million in FY 2002-03, and \$42.8 million (estimate) in FY 2004-05, payable to the Common School Construction Fund.
- 2 - Upland RMCA does not include Land Bank transactions.
- 3 - Revenues reflect cash earnings from management activities only. Revenues from interest payments, fires assessments, permits, fees, etc. are not included.
- 4 - Totals may not add due to rounding.
- 5 - Projected values are forecast estimates and should be interpreted in conjunction with the accompanying forecast document. Unforeseen events and changes in future conditions may alter forecast estimates and results.
- 6 - Data for all years are cash estimates, and not directly comparable with accrual figures presented in DNR's Annual Reports.

APPENDIX: Forecast performance: Comparison of actuals with forecast estimates

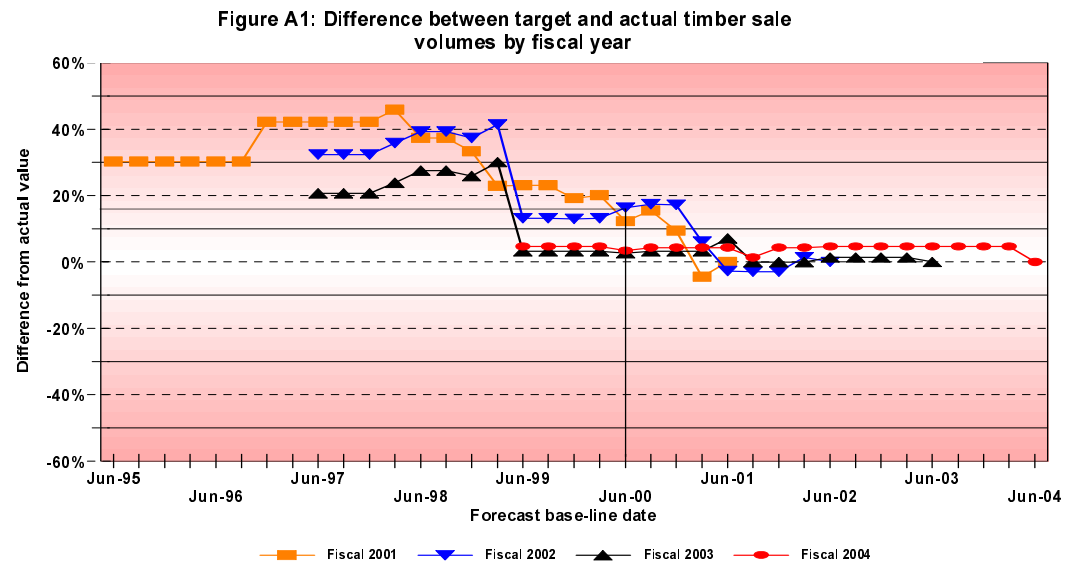
The end of a fiscal year is a convenient time to assess forecast performance. Such periodic assessments are useful for building forecast confidence. They also help interpreting forecast estimates, and applying those estimates in policy, planning, and operational settings.

The following brief bullet points outline major inferences that can be drawn from the accompanying suite of charts. These charts compare the difference between various forecast estimates and actual values (expressed as a percentage difference) for selected forecast measures, and how these differences have changed over time.

- *Timber sale volumes (Figure A1):* A past tendency for the target sales volume to be greater than actual sold volume has diminished markedly over the last two years.

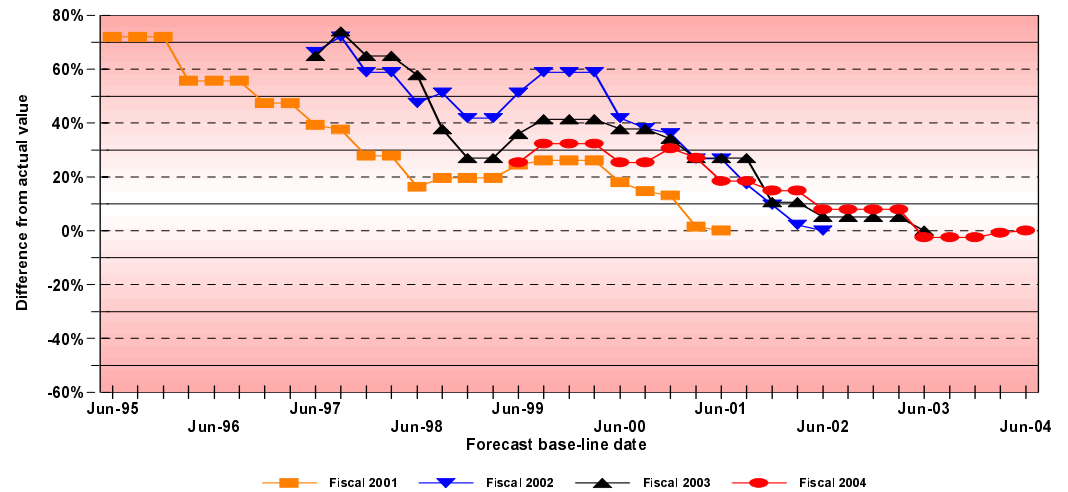
Inferring forecast performance from these charts requires caution. It is tempting to take the following charts at face value and assert a forecast was on or off the target. However, this perspective overlooks the use of the forecast. The forecast paints a picture of the future at a given time. That picture may not be realized for reasons both within and beyond departmental influence and control. One purpose of a forecast, though, is to prompt policy and/or managerial response. An irony of a forecast is that it may result in responses that foil forecast outcomes.

Using the thin black lines in Figure A1 as guides, the charts may be interpreted as follows. For the forecast based on June 2000 base-line data, i.e., the September 2000 forecast, the target timber sale volume was about 18% higher than was actually sold.



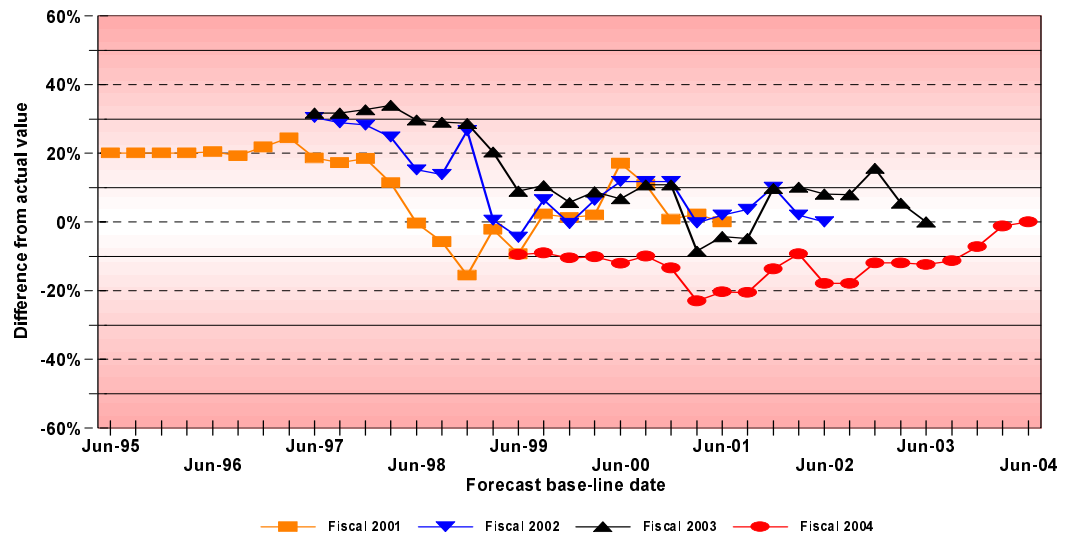
- *Timber sales prices (Figure A2):* A pronounced tendency toward overestimation in past years has diminished somewhat in recent years.

Figure A2: Difference between forecast and actual timber sale prices by fiscal year



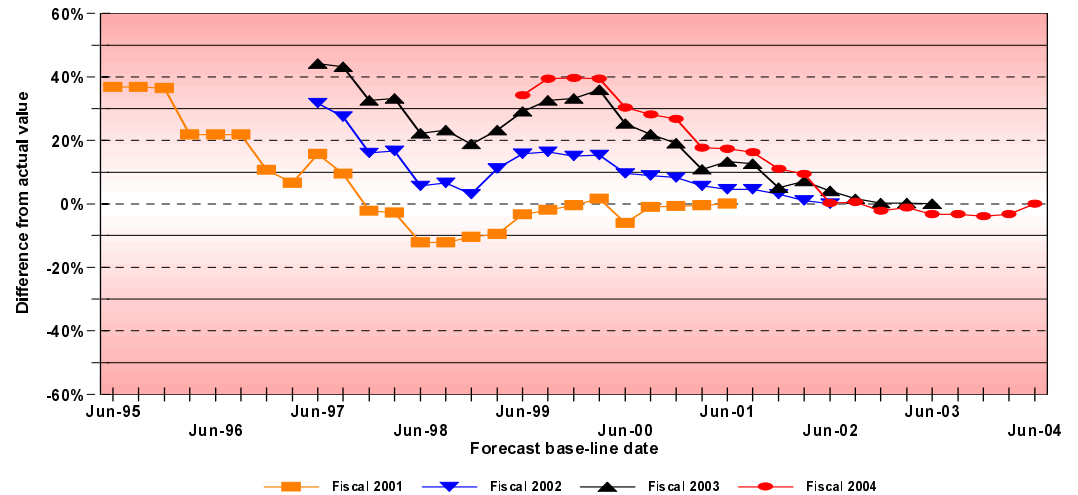
- *Timber removal volumes (Figure A3):* While fluctuations in forecast estimates has decreased in recent years, estimates were consistently lower than the actual values for FY 2004.

Figure A3: Difference between forecast and actual timber removal volumes by fiscal year



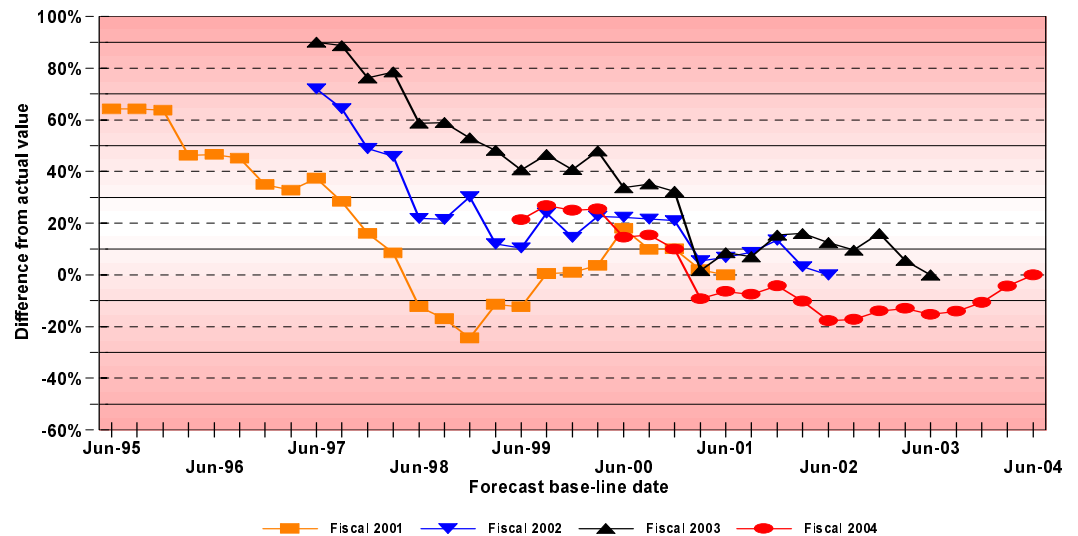
- Timber removal prices (Figure A4):* An historical tendency toward overestimation (largely a result of a tendency to overestimate timber sales prices) has diminished in recent years.

Figure A4: Difference between forecast and actual timber removal prices by fiscal year



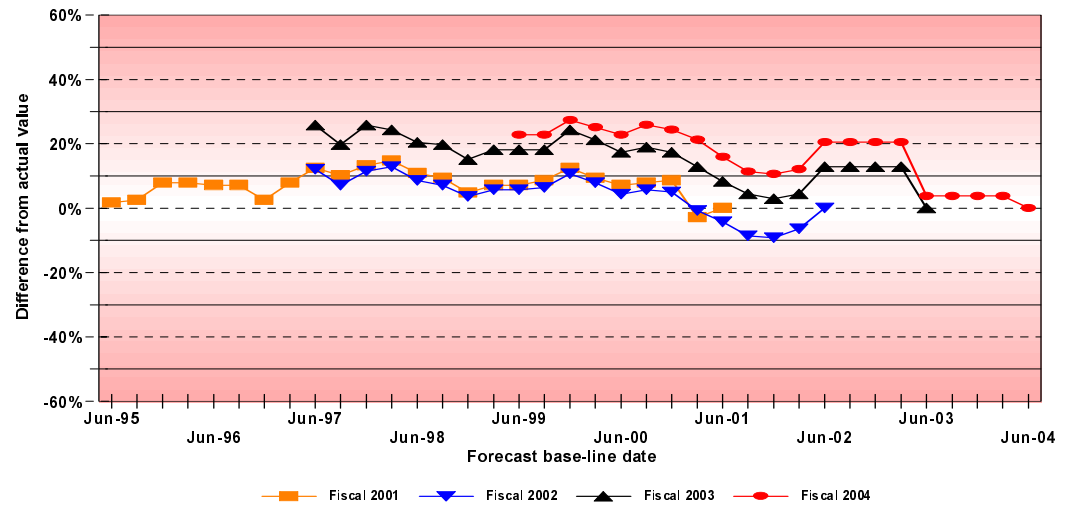
- Timber removal revenues (Figure A5):* An historical tendency toward underestimation re-emerged in FY 2004, as removal volumes were even stronger than purchasers indicated.

Figure A5: Difference between forecast and actual timber removal revenues by fiscal year



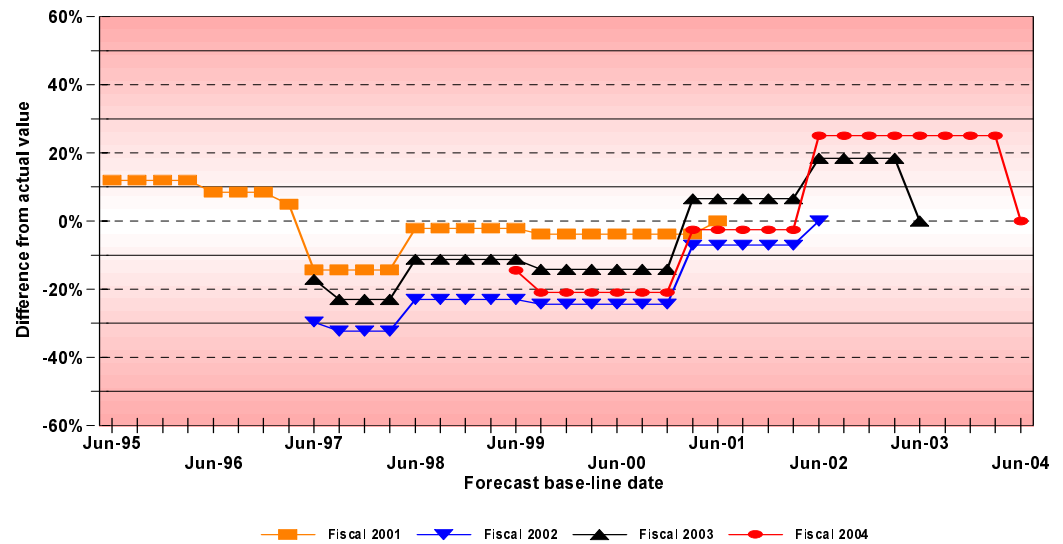
- Agriculture & mineral revenues (Figure A6):* FY 2004 forecast estimates were slightly higher than actually realized. Otherwise, the forecast estimates showed relatively little variation about the actual values, consistent with most revenue streams with little market exposure.

Figure A6: Difference between forecast and actual agricultural and mineral lease revenues by fiscal year



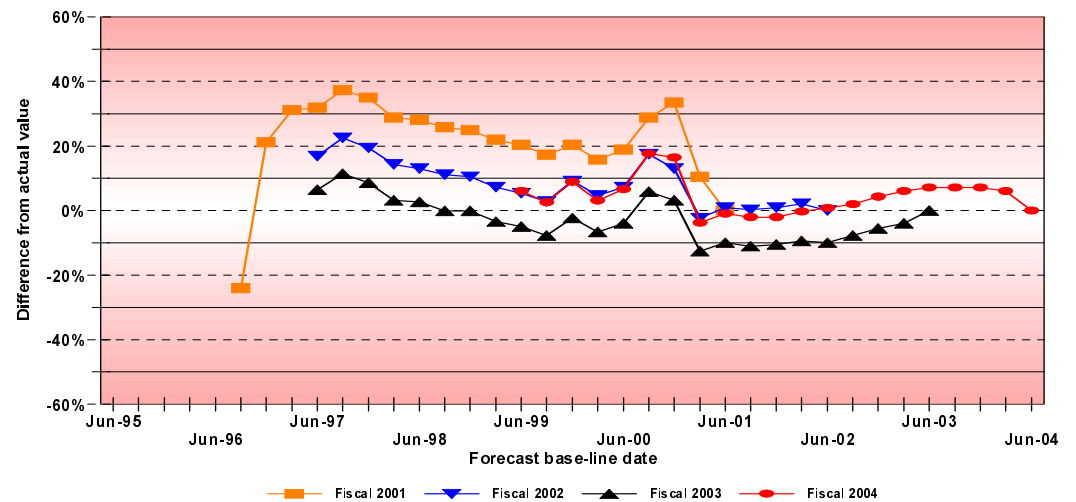
- Commercial real estate revenues (Figure A7):* A tendency toward pronounced overestimation in FY 2004 was in part attributable to setting overly high performance expectations.

Figure A7: Difference between forecast and actual commercial real estate lease revenues by fiscal year



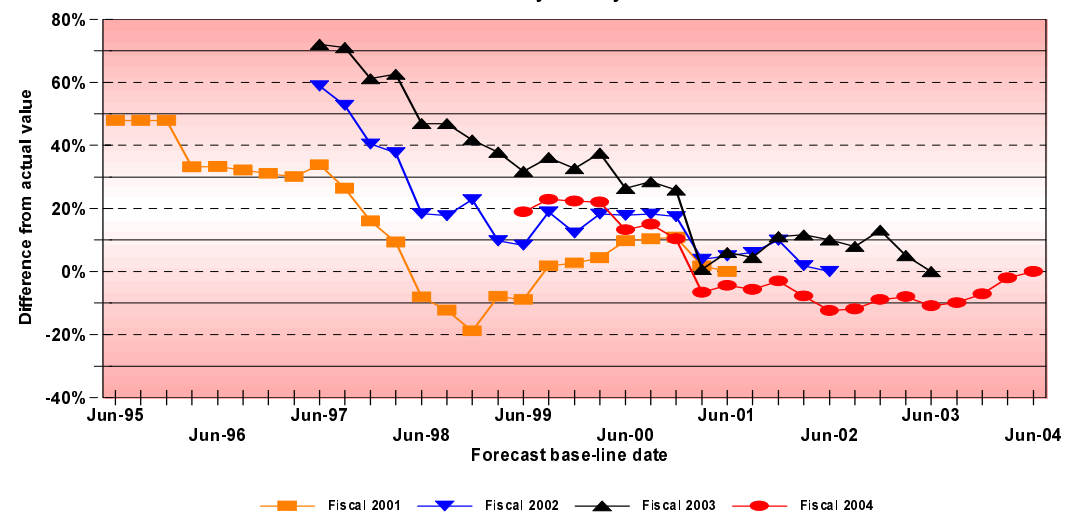
- Aquatic revenues (Figure A8):* Recent forecasts exhibited decreasing variation. No forecast estimates are available prior to September 1996 (i.e., for the November 1996 forecast).

Figure A8: Difference between forecast and actual aquatic revenues by fiscal year



- Total revenues (Figure A9):* The recent tendency for forecasts to overestimate revenues was reversed in FY 2004, primarily because of underestimation of timber removal revenues.

Figure A9: Difference between forecast and actual total revenues by fiscal year



APPENDIX: Recalculation of the sustainable harvest

Preliminary analysis: Implementing the 'preferred alternative'

As noted, sales volume estimates for the later years of the forecast likely will change following recalculation of the sustainable harvest. A 'preferred alternative' has been identified by the Board of Natural Resources (BNR) in the draft Final Environmental Impact Statement supporting the recalculation process (<http://www.dnr.wa.gov/htdocs/fr/sales/sustainharvest/sustainharvest.html>). The 'preferred alternative' calls for increased timber sales volumes in western Washington, increasing the statewide average annual timber sales volume for the first 10-year period to 749MMbf per year from the present 560MMbf/year.

While the 'preferred alternative' has yet to be adopted by the BNR, a scenario was compiled incorporating increased timber sales volumes in order to estimate indicative impacts on the department's revenue forecast. For this purpose, it was assumed that timber sales volumes would be increased over a 5-year period, starting in FY 2006. It was further assumed that 5% of the sale volume would not sell in any one fiscal year, and that the average timber sale contract length was shortened to 18 months. All other aspects of the September 2004 forecast remained unchanged.

This scenario most likely sketches an upper bound for estimated timber removal revenues, and the results of analyzing this scenario are shown in the following tables. The first pair of tables illustrates the impacts on timber revenues and shows that the effects of the increases in timber sales volumes start to appear from about FY 2007 onwards, as timber removal receipts lag timber sales volumes, and consistent with both contract shortening and an anticipated slow-down in construction activity in FY 2005 and FY 2006. By FY 2009, timber revenues derived from the increasing sales volumes are estimated to reach about \$215 million, an increase of some \$51 million over the September 2004 forecast. The final table illustrates how the increased timber removal revenues are distributed over the various funds, relative to the September 2004 forecast.

Table 1a: Projected trust land timber sales, removals and revenues for 5-year implementation of the 'Preferred alternative' under the recalculated sustainable harvest

Fiscal year		Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
Sold timber sales	Volume (mmbf)	535	559	598	649	681	720
	Price (\$/mbf)	\$287	\$290	\$280	\$285	\$305	\$315
Ending uncut inventory under contract	Volume (mmbf)	687	651	681	698	718	742
	Value (\$millions)	\$186.6	\$183.6	\$190.6	\$197.0	\$210.9	\$223.0
	Price (\$/mbf)	\$272	\$282	\$280	\$282	\$294	\$300
Timber removals	Volume (mmbf)	615	604	568	633	660	696
	Price (\$/mbf)	\$286	\$273	\$283	\$282	\$293	\$309
Timber removal revenue (\$millions)		\$176.2	\$165.0	\$160.5	\$178.6	\$193.7	\$214.6

Note: Totals may not add due to rounding

Table 1b: Change from September 2004 forecast

Fiscal year		Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
Sold timber sales	Volume (mmbf)	0	(1)	38	89	123	163
	Price (\$/mbf)	\$0	\$0	\$0	\$0	\$0	\$0
Ending uncut inventory under contract	Volume (mmbf)	0	(28)	(9)	21	41	66
	Value (\$millions)	\$0.0	(\$8.1)	(\$1.6)	\$8.7	\$10.9	\$11.5
	Price (\$/mbf)	\$0	(\$0)	\$2	\$4	(\$1)	(\$12)
Timber removals	Volume (mmbf)	0	27	20	59	104	138
	Price (\$/mbf)	\$0	\$1	(\$3)	(\$2)	\$9	\$15
Timber removal revenue (\$millions)		\$0.0	\$7.7	\$4.2	\$15.2	\$35.4	\$50.7

Note: Totals may not add due to rounding

Table A3: Change from September 2004 forecast to September 2004 forecast based on 'Preferred alternative' of recalculated sustainable harvest-Projected trust revenues by fund and fiscal year, 2004-2009 (\$millions)

Fiscal year		Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
MANAGEMENT ACCOUNTS							
041	RMCA - UPLAND	\$0.0	\$0.9	\$0.7	\$2.5	\$5.0	\$6.7
041	RMCA - AQUATIC	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
014	FDA	\$0.0	\$0.9	\$0.4	\$1.3	\$3.7	\$5.6
		-----	-----	-----	-----	-----	-----
		\$0.0	\$1.8	\$1.1	\$3.8	\$8.7	\$12.2
CURRENT FUNDS							
113	COMMON SCHOOL CONSTRUCTION	\$0.0	\$1.9	\$1.3	\$4.2	\$8.7	\$11.8
999	FOREST BOARD COUNTIES	\$0.0	\$2.8	\$0.9	\$3.8	\$11.0	\$17.2
001	GENERAL FUND	\$0.0	\$0.2	(\$0.1)	(\$0.3)	\$0.0	\$0.5
348	UNIVERSITY BOND RETIREMENT	\$0.0	\$0.0	\$0.3	\$0.8	\$0.8	\$0.6
347	WSU BOND REPAYMENT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
042	CEP&RI	\$0.0	\$0.2	\$0.0	\$0.2	\$0.7	\$1.1
036	CAPITOL BUILDING CONSTRUCTION	\$0.0	\$0.3	\$0.3	\$1.2	\$2.4	\$3.3
061/3/5/6	NORMAL (CWU, EWU, WWU, TESC) SCHOOL	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	OTHER FUNDS	\$0.0	\$0.0	(\$0.0)	(\$0.0)	\$0.0	\$0.1
		-----	-----	-----	-----	-----	-----
		\$0.0	\$5.3	\$2.7	\$9.8	\$23.7	\$34.5
AQUATIC LANDS ENHANCEMENT ACCOUNT							
02R	AQUATIC LANDS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
PERMANENT FUNDS							
601	AGRICULTURAL COLLEGE	\$0.0	\$0.2	\$0.2	\$0.6	\$0.7	\$0.7
604	NORMAL SCHOOL PERMANENT	\$0.0	\$0.1	(\$0.1)	(\$0.1)	\$0.3	\$0.7
605	COMMON SCHOOL PERMANENT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
606	SCIENTIFIC PERMANENT	\$0.0	\$0.2	\$0.2	\$0.9	\$1.8	\$2.3
607	UNIVERSITY PERMANENT	\$0.0	\$0.0	\$0.1	\$0.2	\$0.2	\$0.2
		-----	-----	-----	-----	-----	-----
		\$0.0	\$0.5	\$0.5	\$1.5	\$3.0	\$4.0
	TOTAL TO TRUST BENEFICIARY FUNDS	\$0.0	\$5.9	\$3.1	\$11.4	\$26.7	\$38.5
	TOTAL ALL FUNDS	\$0.0	\$7.7	\$4.2	\$15.2	\$35.4	\$50.7

Notes:

- 1 - Excludes interest and trust land transfer monies, and includes operating transfers. Trust Land Transfer monies amounted to \$37.3 million in FY 1994-95, \$21.8 million in FY 1998-99, \$56.06 million in FY 2000-01, \$40.0 million in FY 2002-03 (provisional), and \$42.8 million (estimate) in FY 2004-05, payable to the Common School Construction Fund.
- 2 - Upland RMCA does not include Land Bank transactions.
- 3 - Revenues reflect cash earnings from management activities only. Revenues from interest payments, fires assessments, permits, fees, etc. are not included.
- 4 - Totals may not add due to rounding.
- 5 - Projected values are forecast estimates and should be interpreted in conjunction with the accompanying forecast document. Unforeseen events and changes in future conditions may alter forecast estimates and results.
- 6 - Data for all years are cash estimates, and not directly comparable with accrual figures presented in DNR's Annual Reports.